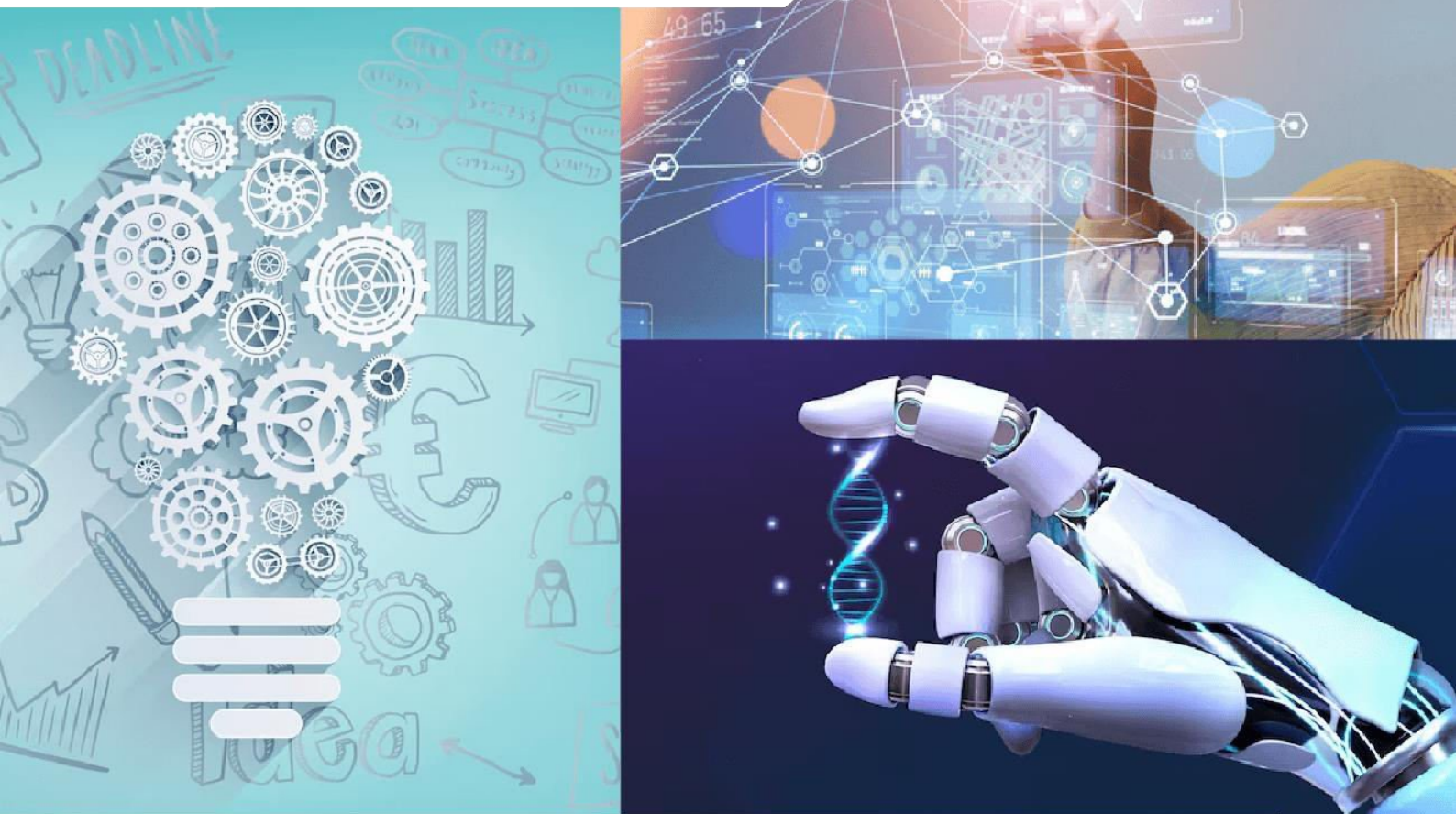




International Journal of Advanced Research in Education and TechnologyY (IJARETY)

Volume 13, Issue 2, March - April 2026

Impact Factor: 8.152



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA



A Study on Working Capital Management in Violin Technologies Pvt. Ltd., a Chennai

Swetha R, Dr. Nikkath Fathima . G

Student, Department of MBA, School of Management Studies, Sathyabama Institute of Science and Technology,
Chennai, Tamil Nadu, India

Professor, School of Management Studies, Sathyabama Institute of Science and Technology, Chennai,
Tamil Nadu, India

ABSTRACT: Working capital management is one of the most critical aspects of financial decision-making in any business. It refers to the management of short-term assets and liabilities to ensure that a company maintains adequate liquidity to meet its operational needs. Efficient working capital management ensures that a firm can continue its operations without financial disruptions and contribute significantly to profitability and value creation. This study focuses on analyzing the working capital practices at Violin Technologies Pvt. Ltd., a Chennai-based manufacturing firm specializing in precision sheet metal components and electromechanical assemblies. The research was conducted during a one-month internship in the Finance Department, from September 17 to October 17, 2025, providing firsthand exposure to the company's financial operations. The objective of this project is to understand how Violin Technologies manages its current assets and liabilities, assesses the efficiency of its working capital cycle, and identify areas for improvement. The findings aim to offer practical recommendations to optimize working capital and enhance cash flow, which is essential for sustaining growth and profitability in a competitive manufacturing environment.

KEYWORDS: Working Capital Management, Liquidity Management, Current Assets, Current Liabilities.

I. INTRODUCTION

Working capital refers to the funds required for the day-to-day operations of a business. It is the difference between current assets and current liabilities. Current assets include cash, accounts receivable, inventory, and other short-term assets, while current liabilities include accounts payable, short-term loans, and other obligations due within a year. Working capital management involves managing these components to ensure that the firm has sufficient liquidity to meet its short-term obligations while minimizing the cost of holding excess assets. It is a balanced act between profitability and risk. Too much working capital can lead to while too little can result in liquidity problems. It is common knowledge that a firm's value cannot be maximized in the long run unless it survives in the short run. Firms fail most often because they are unable to meet their working capital needs. Consequently, sound working capital management is a requisite for a firm's survival. Working capital refers to a firm's investment in short-term assets viz., cash, short-term securities, amount receivables and inventories of raw materials, work-in-process, and finished goods. Efficient working capital management is necessary to maintain a balance of liquidity and profitability. If the funds are tied- up in idle, current assets represent poor and inefficient working capital management which affects the firm's liquidity as well as profitability. Working capital is the number of funds required for meeting the day-to-day expenses of the business. The firm starts with cash. It buys raw materials, employs workers, and spends on expenditures like advertising, etc. Even then it may not receive cash immediately if sold on credit. Working capital refers to the part of the firm's capital that is required for financing short-term or current assets such as cash, marketable securities, debtors, and inventories. Funds, thus, invested in current assets keep revolving fast and are being constantly converted into cash and these cash flows out again in exchange for other current assets. Hence, it is also known as revolving or circulating, or short-term capital.

OBJECTIVES OF THE STUDY

- To analyze the components of working capital such as inventory, receivables, and payables.
- To evaluate the working capital cycle and its impact on liquidity.
- To assess the financial ratios related to working capital.
- To suggest measures for improving working capital efficiency.
- To understand the role of ERP systems in managing working capital.
- To compare Violin's working capital practices with industry benchmarks.

II. REVIEW OF LITERATURE

Hardcastle (2016) Studied that Working capital, sometimes called gross working capital, simply refers to the firm's total current assets (the short-term ones), cash, marketable securities, accounts receivable, and inventory. While long-term financial analysis primarily concerns strategic planning, working capital management deals with day-to-day operations. By making sure that production lines do not stop due to a lack of raw materials, that inventories do not build up because production continues unchanged when sales dip, that customers pay on time and that enough cash is on hand to make payments when they are due. Obviously, without good working capital management, no firm can be.

Dubey. R (2015) describes that the working capital in a firm generally arises out of four basic factors: sales volume, technological changes, seasonal, cyclical changes, and policies of the firm. The strength of the firm is dependent on the working capital as discussed earlier, but this working capital is dependent on the level of sales volume of the firm. The firm requires current assets to support and maintain operational or functional activities. By current assets, we mean the assets which can be converted readily into cash say within a year such as receivables, inventories, and liquid cash. If the level of sales is stable and towards growth the level of cash receivables and stock will also be high.

Dong (2010) Working capital management in his analysis affects the firms' profitability and liquidity. Pooled data are selected for carrying out the research for the era of 2006- 2008 for assessing the companies listed in the stock market of Vietnam. He focused on the variables that include profitability, conversion cycle, and its related elements and the relationship that exists between them. From his research, it was found that the relationships among these variables are strongly negative. This denotes that a decrease in profitability occurs due to an increase in the cash conversion cycle. It is also found that if the number of days of account receivable and inventories is diminished, then the profitability will increase the number of days of accounts receivable and inventories.

III. RESEARCH METHODOLOGY

This study adopts analytical research design. The sampling design adopted for the study is convenience sampling. The study is based entirely on secondary data. The sample consists of financial data for (2021-2025). The study used tools working capital requirement, Ratio analysis, Trend analysis and Cash Conversion Cycle (CCC).

Data analysis and interpretation

Table No. 1 Working Capital Requirement (2021–2025)

Year	Current Assets (₹ Lakhs)	Current Liabilities (₹ Lakhs)	Net Working Capital (₹ Lakhs)
2021	1,200	800	400
2022	1,450	950	500
2023	1,600	1,050	550
2024	1,850	1,200	650
2025	2,100	1,350	750

Source: Primary data

Interpretation

The net working capital has shown a steady increase from ₹400 lakhs in 2021 to ₹750 lakhs in 2025. This upward trend indicates that the company has consistently strengthened its liquidity position. A higher net working capital suggests that Violin Technologies has more current assets available to cover its short-term obligations, which reduces the risk of financial distress.

Table No. 2 Ratio Analysis

Year	Quick Assets (₹ Lakhs)	Current Liabilities (₹ Lakhs)	Quick Ratio
2021	700	800	0.88
2022	950	950	1.00

2023	1,050	1,050	1.00
2024	1,250	1,200	1.04
2025	1,450	1,350	1.07

Source: Primary data

Interpretation

The quick ratio measures the company's ability to meet short-term obligations using its most liquid assets, excluding inventory. In 2021, the ratio was below 1 (0.88), indicating that liquid assets were insufficient to cover liabilities. However, from 2022 onwards, the ratio improved to 1.0 and above, showing that Violin Technologies achieved a balanced liquidity position.

Table No. 3 Working Capital Turnover Ratio

Year	COGS	Net Working Capital	Working Capital Turnover
2025	2,400	400	6
2024	2,800	500	5.6
2023	3,000	550	5.45
2022	3,400	650	5.23
2021	3,800	750	5.06

Source: Primary data

Interpretation

The company's working capital turnover ratio has shown a consistent upward trend from 5.06 in 2021 to 6.0 in 2025, reflecting a steady improvement in efficiency. This indicates that the firm is generating more sales per unit of net working capital each year, highlighting stronger utilization of resources and leaner operations. While cost of goods sold (COGS) has declined from 3,800 in 2021 to 2,400 in 2025, the reduction in net working capital from 750 to 400 has contributed to higher turnover, suggesting tighter control over inventory, receivables, and payables.

Table No. 4 Current Ratio

Year	Current Assets	Current Liabilities	Current Ratio
2021	1,200	800	1.50
2022	1,450	950	1.53
2023	1,600	1,050	1.52
2024	1,850	1,200	1.54
2025	2,100	1,350	1.55

Source: Primary data

Interpretation

The current ratio indicates the company's overall short-term solvency. A ratio above 1.5 is considered strong, as it shows that current assets comfortably exceed current liabilities. Violin Technologies has maintained this level consistently across the five years, which reflects sound financial management. The stability of the ratio suggests that the company has avoided excessive reliance on short-term borrowings. It also indicates that inventory and receivables are being managed effectively. However, a very high current ratio could imply that assets are not being used

Table No. 5 Stock Turnover Ratio

Year	COGS (₹ Lakhs)	Average Stock (₹ Lakhs)	Stock Turnover
2021	2,400	400	6.0

2022	2,800	450	6.2
2023	3,000	500	6.0
2024	3,400	550	6.2
2025	3,800	600	6.3

Source: Primary data

Interpretation

The stock turnover ratio measures how quickly inventory is converted into sales. Violin Technologies has maintained a ratio around 6, which indicates efficient inventory management. A higher turnover means that stock is sold quickly reducing holding costs and minimizing the risk of obsolescence. The slight fluctuations between 6.0 and 6.3 suggest stability in sales and production processes.

Table No. 6 Trend Analysis

Year	Net Working Capital (₹ Lakhs)	Trend (%)
2021	400	100
2022	500	125
2023	550	137.5
2024	650	162.5
2025	750	187.5

Source: Primary data

Interpretation

The trend analysis shows a consistent upward movement in net working capital from 2021 to 2025. The base year (2021) is taken as 100%, and subsequent years show progressive growth, reaching 187.5% in 2025. This indicates that the company has steadily strengthened its liquidity position. From a financial management perspective, this growth reflects effective control over current assets and liabilities. The rising trend also suggests that the company has been able to generate sufficient internal resources to support operations. However, while increasing working capital is positive, management must ensure that funds are not excessively tied up in current assets, which could reduce profitability.

IV. SUGGESTIONS

- Reduce debtor days by tightening credit policies.
- Use ERP systems to track overdue accounts and automate reminders.
- Offer discounts for early payments to encourage faster collections.
- Negotiate better credit terms with suppliers to avoid strained relationships.
- Maintain a balance between conserving cash and sustaining supplier trust.
- Avoid excessive delays in payments, which may affect credibility.
- Align sales growth with working capital utilization.
- Increase sales through diversification and expansion to improve turnover ratio.
- Avoid over-investment in current assets that do not generate proportional returns.
- Use ERP and analytics to forecast cash flows more accurately.
- Monitor seasonal variations and plan for temporary working capital needs.
- Adopt best practices from competitors in receivables and payables management.
- Use benchmarking to set realistic performance targets.

V. CONCLUSION

Efficient working capital management is essential for liquidity, profitability, and operational efficiency. The study of Violin Technologies Pvt. Ltd. shows that the company has steadily improved its liquidity position between 2021 and 2025. Positive changes in working capital, healthy liquidity ratios, efficient inventory management, and a shortened cash conversion cycle reflect strong financial discipline. However, declining working capital turnover and slower payments to creditors highlight areas for improvement. The company must balance liquidity with profitability by

optimizing asset utilization and maintaining healthy supplier relationships. Overall, the study demonstrates that effective working capital management is a cornerstone of financial stability and competitiveness in manufacturing firms. For Violin Technologies, continued focus on receivables management, payables discipline, and cash flow forecasting will ensure sustainable growth and profitability in a competitive environment.

REFERENCES

1. Brigham, E. F., & Ehrhardt, M. C. (2019). Financial management: Theory & practice (16th ed.). Cengage Learning.
2. Gitman, L. J., & Zutter, C. J. (2015). Principles of managerial finance (14th ed.). Pearson.
3. Sharma, R. K., & Kumar, S. (2011). Effect of working capital management on firm profitability: Empirical evidence from India. *Global Business Review*, 12(1), 159–173. <https://doi.org/10.1177/097215091001200109>
4. Deloof, M. (2003). Does working capital management affect profitability of Belgian firms? *Journal of Business Finance & Accounting*, 30(3-4), 573–588. <https://doi.org/10.1111/1468-5957.00008>
5. Hardcastle, J. (2016). Working capital management: Principles and practices. Global Finance Publications.
6. Dubey, R. (2015). Working capital management: An effective tool for organizational success. Finance Research Institute Report.
7. Dong, H. P., & Su, J. T. (2010). The relationship between working capital management and profitability: A Vietnam case. *International Research Journal of Finance and Economics*, 49, 62–70.

International Journal of Advanced Research in Education and Technology

ISSN: 2394-2975

Impact Factor: 8.152